

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 COME-00 SPC-03 PER-05 SS-20 A-01

ABF-01 IO-14 DRC-01 RSC-01 /068 W

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R 201200Z DEC 73

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC 5716

INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 5623

FOR ASSISTANT SECRETARY SISCO AND UNDER SECRETARY
FOR ECONOMIC AFFAIRS FROM THE AMBASSADOR

E.O. 11652: GDS

TAGS: AFSP, BEXP, PFOR, ENRG, SA

SUBJECT: SAUDI ARABIA -- AN EMBASSY RESPONSE TO
ECONOMIC AND COMMERCIAL OPPORTUNITIES

REF: A) JIDDA 5375; B) JIDDA 5430; C) STATE 239800

SUMMARY: THE POLITICAL SCENE HAS CLARIFIED ENOUGH TO
PERMIT US TO TURN TO ECONOMIC AND COMMERCIAL PROBLEMS.
A MAJOR EFFORT TO HELP MEET THE WORLD-WIDE ENERGY
CRISES AND TO PROVIDE INCENTIVES FOR SAUDI ARABIA TO
AGAIN PRODUCE AS MUCH OIL AS POSSIBEL REQUIRES SUB-
STANTIALLY GREATER STAFF. WE ARE ASKING FOR FOUR NEW
OFFICERS, INCLUDING AN ENERGY ATTACHE, PLUS SUPPORT
PERSONNEL AND THE ESTABLISHMENT OF AN OFFICE AND
RESIDENCE IN THE CAPITAL RIYADH. THE SECRETARY
HAS EXPRESSED INTEREST IN AND SUPPORT FOR THIS
PROGRAM. WE URGE IMMEDIATE EFFORT TO IMPLEMENT
THIS PROGRAM WITH ARRIVAL OF NEW STAFF TO COMMENCE
THIS FISCAL YEAR. AN AIRGRAM DETAILING THIS PROPOSAL
FOLLOWS. END SUMMARY.

1. WE BELIEVE POLITICAL SCENE HAS FINALLY CLARIFIED
TO POINT WHERE WE SHOULD PREPARE OURSELVES TO DEAL WITH
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ECONOMIC AND COMMERCIAL RELATIONS OF MUCH GREATER SCOPE

BETWEEN THE U.S. AND SAUDI ARABIA IN ACCORDANCE WITH SECRETARY'S POLICY AS OUTLINED IN REF (C). IN VERY RECENT CONFIDENTIAL STUDY ON THE ARAB OIL PRODUCING STATES (RECS-14) HAS EXPRESSED IT VERY WELL: QUOTE A DANGER TO THE CONSUMING NATIONS MAY BE THAT RESTRICTIONS ON PRODUCTION GROWTH, ONCE IMPOSED FOR POLITICAL REASONS, COULD BE EXTENDED FOR ECONOMIC REASONS. END QUOTE. OUR MAJOR EFFORT NOW SHOULD BE TO MAXIMIZE THE INCENTIVES FOR SAUDI ARABIA TO PRODUCE MORE RATHER THAN LESS OIL; THIS EFFORT WILL REQUIRE IMMEDIATE AUGMENTED STAFF AND BUDGETARY INCREASES.

2. AMONG ALL THE ARAB STATES, THE KEY IMPORTANCE OF SAUDI ARABIA IN BOTH MONETARY AND IMPORT TERMS IN THE REMAINING YEARS OF THIS DECADE CAN BE BRIEFLY SUMMARIZED BY THE FOLLOWING: OF THE MINIMUM EXPECTED REVENUE OF 326 BILLION DOLLARS TO BE EARNED BY ALL FOURTEEN OF THE ARAB OIL PRODUCING COUNTRIES BETWEEN NOW AND 1980, SAUDI ARABIA ALONE WILL EARN HALF OR 160 BILLION DOLLARS. OF THE EXPECTED IMPORTS OF MORE THAN 100 BILLION DOLLARS DURING THE SAME PERIOD BY THESE SAME COUNTRIES, SAUDI ARABIA WILL IMPORT 34 BILLION DOLLARS, ACCORDING TO A RECENT INTELLIGENCE STUDY. ADDITIONS TO HER MONETARY RESERVES WILL BE ON THE ORDER OF 110 BILLION DOLLARS. INDUSTRIALIZATION SPURRED BY OUR EFFORTS COULD DRASTICALLY CHANGE THE AMOUNT OF IMPORTS DURING THIS SAME PERIOD.

3. WE REQUEST POSITIONS FOR THREE NEW ECON/COMMERCIAL OFFICERS, AN ENERGY ATTACHE, TWO AMERICAN SECRETARIES, THREE LOCAL EMPLOYEES, AND ESTABLISHMENT OF A LIAISON OFFICE IN RIYADH. WE REQUEST ALSO DOUBLING OF EMBASSY TRAVEL AND REPRESENTATIONAL FUNDS. IT SHOULD BE NOTED THAT REPRESENTATIONAL FUNDS IN TERMS OF DOLLARS HAVE NOT BEEN INCREASED FOR THE LAST THREE YEARS. THE DOLLAR, HOWEVER, HAS BEEN DEVALUED IN TERMS OF RIYALS AND OUR FUNDS IN LOCAL CURRENCY

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ARE APPROXIMATELY 25 PERCENT LESS THAN THEY WERE THREE YEARS AGO-- ASIDE FROM INFLATION. THESE REQUESTS WERE REVIEWED BY THE AMBASSADOR WITH NEA AND T, AND APPROVAL GIVEN BY ASSISTANT SECRETARY SISCO AND UNDER SECRETARY TARR BEFORE AMBASSADOR AKINS DEPARTED FOR POST. WE HAVE DELAYED FOLLOW-UP BECAUSE OF THE OCTOBER WAR, BUT-- AS INDICATED ABOVE--WE CANNOT DELAY LONGER IN PLANNING FOR THE OPPORTUNITIES WHICH WILL BE INHERENT IN THE IMPROVING POLITICAL SITUATION.

4. SECRETARY KISSINGER HAS EXPRESSED HIS SYMPATHETIC INTEREST IN AND SUPPORT OF SUCH A PROGRAM.

5. VIA AIRGRAM WE ARE SUBMITTING DETAILS OF A PROGRAM WHICH WE HOPE COULD BEGIN TO BE IMPLEMENTED IMMEDIATELY WITH THE FIRST OFFICER TO ARRIVE NOT LATER THAN THE END OF THE THIRD QUARTER (MARCH 1974). BRIEFLY SUMMARIZED THE AIRGRAM SUPPORTS AND JUSTIFIES THE FOLLOWING INCREASES IN STAFF:

JIDDA:

ONE ECONOMIC OFFICER, FSO-4
ONE COMMERCIAL OFFICER FSO-5
ONE AMERICAN SECRETARY, FSS-7

RIYADH:

ONE OFFICER, FSO-4 (ENERGY ATTACHE/COMMERCIAL)
ONE LOCAL POSITION

DHAHRAN:

ONE OFFICER, FSO-4
ONE AMERICAN SECRETARY, FSS-7
ONE LOCAL POSITION

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TO SECSTATE WASHDC 5717

INFO AMCONSUL DHAHRAN

C O N F I D E N T I A L SECTION 2 OF 2 JIDDA 5623

6. THE OFFICER-LEVEL POSITIONS SHOULD BE FILLED BY PEOPLE WITH INITIATIVE AND IMAGINATION; PREFERABLY THEY SHOULD ALSO BE ARABISTS, SINCE BOTH IN PRIVATE

BUSINESS AND GOVERNMENT, SALES OPPORTUNITIES MUST OFTEN BE PURSUED WITH OFFICIALS WHO SPEAK LITTLE (OR SOMETIMES NO) ENGLISH. THESE OFFICERS, MOREOVER, NEED NOT COME ONLY FROM THE ECONOMIC/COMMERCIAL CONE. THE EMBASSY WOULD WELCOME GOOD POLITICAL OFFICERS IN THESE POSITIONS, AND BELIEVES THAT THROUGH THEIR CONTACTS WITH OFFICIAL AND PRIVATE SAUDIS, THEIR POLITICAL AS WELL AS ECONOMIC SKILLS WOULD BE INCREASED.

7. TO SUPPORT SUCH AN INCREASE IT WILL BE NECESSARY TO RENT A HOUSE AND OFFICE IN RIYADH AND QUARTERS FOR THE TWO OFFICERS IN JIDDA. HOUSEHOLD AND OFFICE FURNISHINGS AND EQUIPMENT WILL BE REQUIRED FOR ALL ADDITIONAL AMERICAN PERSONNEL. ANNUAL RENTS ARE PAYABLE IN ADVANCE AND FURNITURE AND EQUIPMENT MUST BE PURCHASED AS SOON AS POSSIBLE. ASSUMING IMPLEMENTATION OF PROGRAM EARLY FOURTH QUARTER FY 1974, COST OF RENT, FURNITURE AND EQUIPMENT WOULD AMOUNT TO AN ESTIMATED 99,268 DOLLARS. UTILITIES AND PERSONNEL BENEFITS FOR FOURTH QUARTER 1974 WOULD BE APPROXIMATELY 11,887 DOLLARS. TOTAL FY 1974 POST COSTS WOULD, THEREFORE, AMOUNT TO 111,155 DOLLARS. ANNUAL POST COST THEREAFTER WOULD BE APPROXIMATELY 73,875 DOLLARS.

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8. IN ADDITION, PROPORTIONATE INCREASES IN TRAVEL EXPENSE AND REPRESENTATION ALLOWANCES WILL BE REQUIRED. THIS INCREASE WOULD AMOUNT TO 40,580 DOLLARS ANNUALLY AND 10,145 DOLLARS FOR FOURTH QUARTER 1974.

9. THE REFERENCED MESSAGES DETAIL THE EFFORTS OF COMPETITOR NATIONS THAT HAVE COME TO OUR ATTENTION SO FAR. BY NO MEANS, HOWEVER, DO THEY DETAIL ALL OF THE EFFORTS BY OTHER COUNTRIES AND MULTINATIONAL COMPANIES IN SAUDI ARABIA. IT SHOULD BE POINTED OUT THAT SAG HAS THIS YEAR ALONE RECEIVED FROM AMERICAN COMPANIES MORE THAN 50 PROPOSALS LINKING INDUSTRIAL DEVELOPMENT TO A SURE SOURCE OF CRUDE PETROLEUM; THIS EMBASSY HAS BEEN INVOLVED IN HELPING THESE COMPANIES WITH ABOUT ONE-THIRD OF THESE. OUR CAPACITY TO HELP IS LIMITED, HOWEVER, SINCE THERE IS ONLY A SINGLE ECON/COMMERCIAL OFFICER IN ALL OF SAUDI ARABIA. DHAHRAN IS WEAKLY STAFFED ON THE ECON/COMMERCIAL SIDE, AND WE HAVE NO EMBASSY PRESENCE WHATSOEVER IN THE CAPITAL, RIYADH. IN VIEW OF THE MASSIVE CHANGES IN THE QUALITY OF OUR RELATIONSHIP WITH ENERGY-PRODUCING ECONOMIES AND BECAUSE SAUDI ARABIA, ACTING ALONE, CAN HAVE A DECISIVE IMPACT ON PRICES AND

AVAILABILITY OF NECESSARY CRUDE OIL, THIS STAFF
INCREASE IS NEEDED TO SAFEGUARD AND PROMOTE U.S.
INTERESTS.
AKINS

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